

## Message Text

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16

ORIGIN ARA-10

INFO OCT-01 ISO-00 AEC-05 AID-05 CEA-01 CIAE-00 CIEP-01

COME-00 DODE-00 EB-07 FPC-01 H-01 INR-07 INT-05 L-02

NSAE-00 NSC-05 OMB-01 PM-03 SAM-01 OES-03 SP-02 SS-15

STR-01 TRSE-00 FRB-03 FEA-01 /081 R

DRAFTED BY ARA/ECP:RHSTERN:LT

APPROVED BY ARA/ECP:GROLSEN

ARA/CAR:JBURKE

ARA/ECP:WFALKNER

ARA/ECP:WEKNEPPER

EB/IFD/OOF:RSGELVARD (SUBSTANCE)

----- 055346

R 150340Z FEB 75

FM SECSTATE WASHDC

TO AMEMBASSY BRIDGETOWN

AMEMBASSY GEORGETOWN

AMEMBASSY KINGSTON

AMEMBASSY NASSAU

AMEMBASSY PORT AU PRINCE

AMEMBASSY PORT OF SPAIN

INFO AMEMBASSY CARACAS

AMCONSUL CURACAO

AMCONSUL PARAMARIBO

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E.O.11652:GDS

TAGS: EFIN XL, VE

SUBJECT: VENEZUELAN OIL SCHEME

REFS: (A) SANTO DOMINGO 0617 (NOTAL),

(B) STATE 282966 OF 12/16/74

1. REF A INDICATES VENEZUELAN INTENTION TO OFFER CARIBBEAN  
COUNTRIES FINANCIAL RELIEF FROM HIGH OIL PRICES. SCHEME AS  
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OUTLINED APPEARS SIMILAR IF NOT IDENTICAL TO THAT OFFERED

CENTRAL AMERICA AND PANAMA (REF B). HOWEVER, SOME DETAILS DIFFER, AND IN THE INTEREST OF PROVIDING ADDRESSEES WITH CURRENT ANALYSIS OF OPERATING MECHANISM AND POSSIBLE PROBLEMS INHERENT IN SCHEME, THE PROPOSAL IS OUTLINED IN DETAIL IN FOLLOWING PARAGRAPHS.

2. KEY TO VENEZUELAN PROPOSAL TO CENTRAL AMERICA IS ASSIGNMENT OF SPECIFIC CRUDE OIL QUOTA TO EACH IMPORTING COUNTRY. THIS QUOTA IS BASED ON ACTUAL 1974 IMPORTATION OF CRUDE FROM VENEZUELA. NO REPEAT NO REFINED PRODUCT IMPORTS ARE INCLUDED. NO ANNUAL GROWTH IN THE QUOTA IS PERMITTED. INSTEAD QUOTA REDUCES TO ZERO BY DECLINING AT 16.67 PERCENT PER ANNUM OVER A SIX-YEAR PERIOD.

3. EACH RECIPIENT PAYS FOR ITS QUOTA OF CRUDE IN TWO TRANCES. THE FIRST AT THE RATE OF DOLS. 6 PER BARREL WOULD BE PAYABLE IN NORMAL COMMERCIAL MANNER. UNDER THE

SECOND TRANCHE THE DIFFERENCE BETWEEN ACTUAL LANDED COST AND DOLS. 6 PER BARREL WOULD BE REBATED TO RECIPIENT FOR USE AS BOP RELIEF AND/OR DEVELOPMENT PROGRAMS. THE EXACT MEANS OF PAYMENT BY CENTRAL AMERICA AND PANAMA OF THE SECOND TRANCHE TO VENEZUELA IS UNCLEAR TO US AT THIS TIME. WE DO NOT KNOW IF REAL TRANSFERS TAKE PLACE OR, IF THE SECOND TRANCHE PAYMENT IS A BOOKKEEPING EXERCISE. OBVIOUSLY, IF THE BENEFICIARY COUNTRIES MUST MAKE REAL TRANSFERS AT TIME OF PURCHASE, THE BENEFIT OF REBATES IS DEFERRED.

4. IN ANY EVENT, THE FUNDS (EITHER REAL OR DENOMINATED) ARE CREDITED TO THE VENEZUELAN CENTRAL BANK WHICH, ON A QUARTERLY BASIS DEPOSITS THE SECOND TRANCHE FUNDS IN THE VENEZUELAN INVESTMENT FUND. THESE MONIES ARE DENOMINATED HALF IN DOLLARS AND HALF IN BOLIVARES. THE FUND THEN RELEASES THE SECOND TRANCHE MONEY TO THE RECIPIENT COUNTRY IN RETURN FOR A CERTIFICATE OF DEPOSIT ISSUED BY THAT COUNTRY'S CENTRAL BANK. THE CD IS IN FAVOR OF THE FUND AT 8 PERCENT INTEREST, SIX YEAR TERM.

5. THUS, IN THE FIRST INSTANCE, THE RECIPIENT CB HAS SIX LIMITED OFFICIAL USE

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YEAR MONEY TO USE FOR BOP PURPOSES (IN REALITY, SHOULD THE CB COUNT THE FUNDS AS PART OF ITS OVERALL FOREIGN EXCHANGE RESERVES, IT MAY USE THEM IN ANY WAY IT SEES FIT). THE COMPLEXITY OF THE MECHANISM FOR ACQUIRING SIX YEAR MONEY IS ADDED TO IF THE RECIPIENT COUNTRY WISHES TO CONVERT THE FUNDS TO LONG-TERM DEVELOPMENT LOANS.

6. FIRST, THE COUNTRY MUST APPLY TO VENEZUELA FOR AUTHOR-

ITY TO USE THE FUNDS FOR SUCH PURPOSES. VENEZUELA HAS  
SPECIFIED THAT APPROVAL WILL BE GRANTED WHEREIN THE FUNDS  
ARE TO BE USED AS COUNTERPART FOR DEVELOPMENT PROJECTS  
FUNDED BY INTERNATIONAL FINANCE INSTITUTIONS (USAID IS  
INCLUDED IN THIS CATEGORY).

7. AFTER PROJECT APPROVAL, CB BUYS BACK ITS CD (PAYING  
APPLICABLE INTEREST) AND REBORROWS SAME AMOUNT AT 25  
YEAR TERM AND 8 PERCENT INTEREST. ADDITIONAL CHARGES FOR  
ADMINISTRATION OF LOANS ARE ALSO FORSEEN BY VENEZUELANS  
AND PRESUMABLY THE FUND WILL REQUIRE REPRESENTATIVE TO BE  
STATIONED IN EACH COUNTRY TO OVERSEE LOAN PROGRAM.

8. GIVEN THE RELATIVELY SMALL OIL IMPORT BILLS OF ADDRES-  
SEES AND COMPLICATING FACTOR OF FELLOW OPEC MEMBER  
TRINIDAD AND TOBAGO WITHIN REGION, VENEZUELA MAY MODIFY  
SCHEME TO AVOID FRICITION AND APPEARANCE OF INTERFERING IN  
T AND T'S NATURAL MARKET.

ACTION REQUESTED: ADDRESSEES ARE REQUESTED TO INFORM  
DEPARTMENT OF ANY VENEZUELAN OFFERS TO HOST GOVERNMENT  
IN THIS CONNECTION AND ANY OTHER DATA WHICH MIGHT IMPROVE  
OUR UNDERSTANDING OF THE PROPOSAL. ADDRESSEES ARE  
REQUESTED TO REPORT TELEGRAPHICALLY A PRELIMINARY ANALYSIS  
OF THE IMPACT SCHEME MIGHT HAVE ON HOST COUNTRY BOP AND/OR  
DEVELOPMENT PROGRAMS. POSTS SHOULD ADHERE TO POLICY  
GUIDELINES STATED REF B IF QUERIED BY HOST GOVERNMENT FOR  
USG REACTION. INGERSOLL

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PETROLEUM, CREDIT AGREEMENTS, IMPORT QUOTAS, PRICES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 15 FEB 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** CunninFX  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**Document Number:** 1975STATE035499  
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**Drafter:** RHSTERN:LT  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750056-0693  
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**Legacy Key:** link1975/newtext/t19750238/aaaabicq.tel  
**Line Count:** 143  
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**Office:** ORIGIN ARA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** (A) SANTO DOMINGO 0617 (NOTAL)  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** CunninFX  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 09 JUN 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <09 JUN 2003 by KelleyW0>; APPROVED <18 DEC 2003 by CunninFX>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
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**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** ENEZUELAN OIL SCHEME  
**TAGS:** EFIN, ENRG, XL, VE  
**To:** BRIDGETOWN MULTIPLE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006